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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

May 1, 2003

ORIGINAL

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
c/o Vistronix, Inc.
236 Massachusetts Avenue, N.E.
Suite 110
Washington, DC 20002

Re: Ex Parte -- WC Docket No. 01-338

Dear Ms. Dortch:

At the ALTS Annual Conference on April 30, 2003, a panel discussed competitive access to fiber-fed loops. The panelists were as follows: Jeff Goldthorp, Director Network Technology Division, FCC (Moderator); Chris McFarland, CTO of Allegiance; Michael Gallagher, CEO of Florida Digital Networks; Jon Canis, Partner at Kelley, Drye; Peter Pitsch, Director of Policy for Intel Corporation; and Francisco Maella, SVP of Network and Technology for El Paso Global Networks. Whitey Thayer and Marvin Sachs of the FCC were in attendance. Pursuant to request by Jeff Goldthorp of the FCC who moderated the panel, we have attached a copy of the panelists' handouts and the audio feed (contained on 2 CDs) of the discussion which addressed issues considered in WC Docket No. 01-338. We have also included a duplicate copy of this transmittal letter, the panelists' handouts, and the audio feed.

If you have any questions about this matter, please contact me at 202-969-2587.

Respectfully submitted,

Jonathan Askin

FROM THE DESK OF:
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How do CLEC's access hybrid fiber copper loops?

Broadband-oriented Policy Changes Risk elimination of Choice for Small and Medium Enterprise (SME) Customers

Allegiance Telecom, April 30, 2003
Chris MacFarland, CTO

Fiber in the Loop Issues

- Dispell the myth that ILEC's need broadband regulatory relief in order to widely deploy network technology.

- Innovation and consumer pricing is driven by competition.
  - Internet Access – ISP - 1992
  - Broadband / XDSL – CLEC's - 1996
  - Integrated Services over a loop – CLEC'S – 1999

- Policy implications from Triennial Review press release could kill competition in the SME marketplace.

- Residential and Business markets are separate entities.

Dispelling The Myth

Myth: TelCos will not invest in broadband unless unbundling Obligations are lifted

Telco Investment 101

- Cost: Capital & Expense
- Benefit: Savings & New Revenues
- Results: NPV, DPP, IRR, Risk/Sensitivity Analysis
- Primary Driver: Expense Reduction

Reality: TelCos *will* Invest in Broadband (without added incentives) because it reduces Operating expenses

Dispelling The Myth

Myth: TelCos will not invest in broadband unless unbundling Obligations are lifted

- SBC Quotes from Pronto Press Release:

"The network efficiency improvements alone will pay for this initiative, leaving SBC with a data network that will be second to none in its ability to satisfy the exploding demand for broadband services."

"in fact, the efficiencies SBC expects to gain will pay for the cost of the deployment on an NPV basis. These efficiencies are conservatively targeted to yield annual savings of about $1.5 billion by 2004 ($850 million in cash operating expense and $600 million in capital expenditures)"

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The Potential Impact

- Illustration: 10,000 line Service Arrangement
- Individual Copper loops
  - 10,000 Feeder, Distribution, and Drop wire segments
  - Multiple splice Points + Serving Area Interface cross-connects
  - Thousands of Annual Trouble Reports / Maintenance Actions
- Next Generation-Digital Loop Carrier
  - 5 Carrier Serving Areas / 5 TR-303 systems
  - 20 fibers from CO to Hut displaces 10000 Feeder segments
  - Distribution and Drop Wire remain
  - Major Reduction in Maintenance Actions
- Fiber-To-The-Curb/Passive Optical Network
  - Feeder & Distribution segments displaced by fiber and electronics
  - Copper Drop Wire remains
  - Even Greater Reduction in Maintenance Actions & Power Expense

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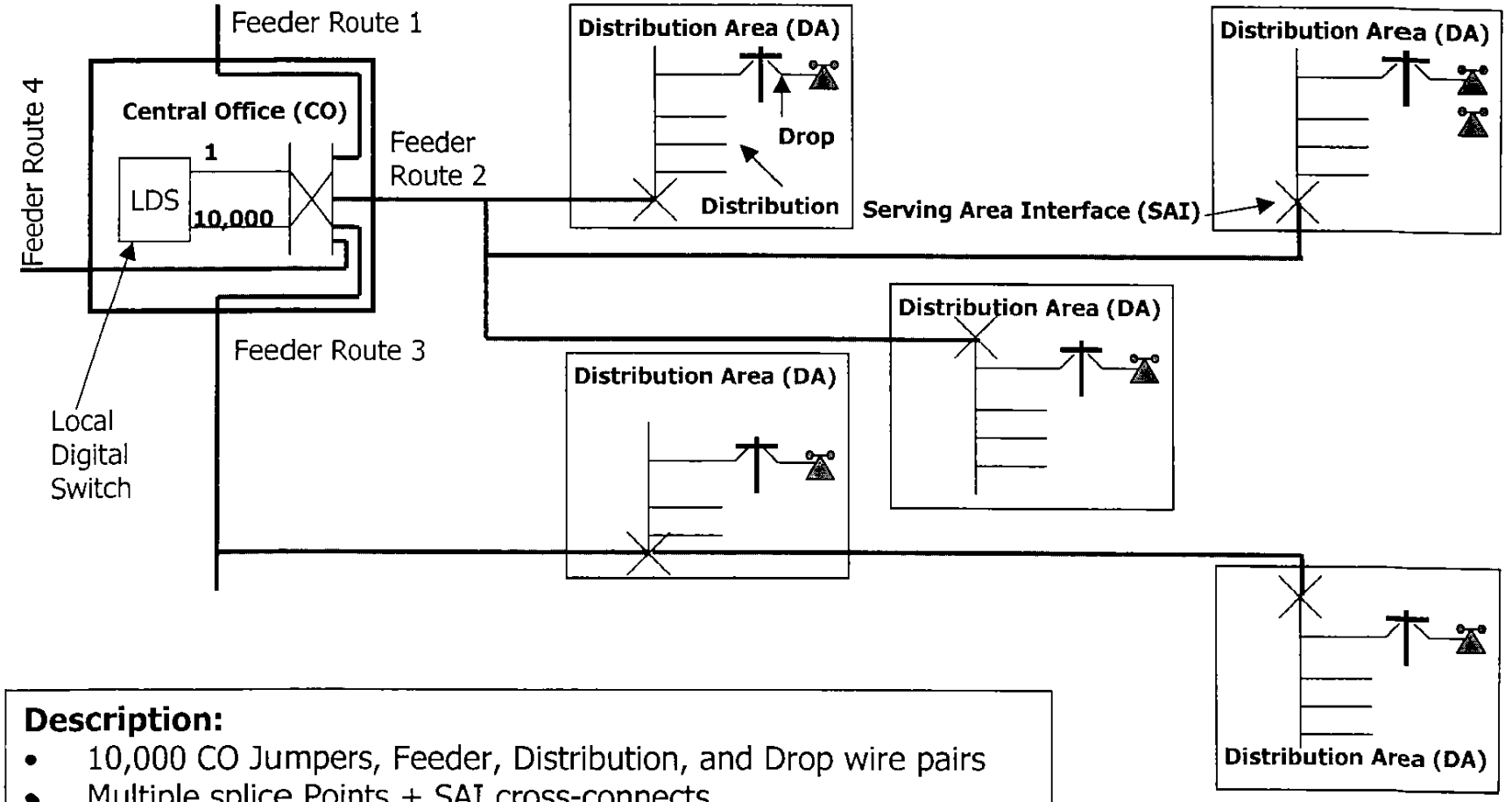
Key:
- CO: Central Office
- LDS: Local Digital Switch
- DA: Distribution Area
- SAI: Serving Area Interface

Illustration: Copper Service Arrangement



Description:
- 10,000 CO Jumpers, Feeder, Distribution, and Drop wire pairs
- Multiple splice Points + SAI cross-connects
- Thousands of Trouble Reports / Maintenance Actions Annually

Fiber — Copper

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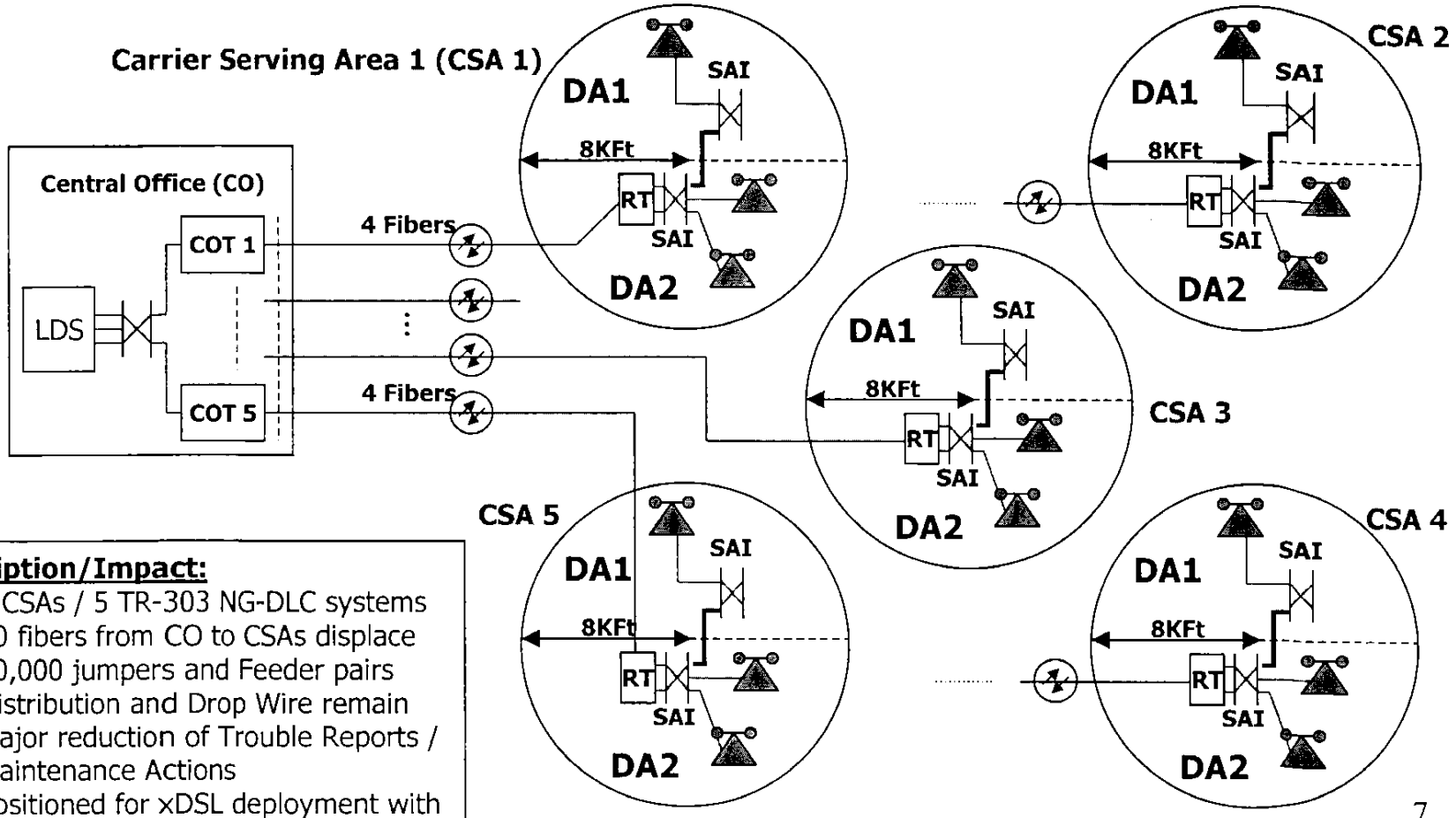
Key:
- CSA: Carrier Serving Area
- LDS: Local Digital Switch
- COT: Central Office Terminal
- RT: Remote Terminal
- DA: Distribution Area
- SAI: Serving Area Interface

Illustration: Next Generation Digital Loop Carrier



Description/Impact:
- 5 CSAs / 5 TR-303 NG-DLC systems
- 20 fibers from CO to CSAs displace 10,000 jumpers and Feeder pairs
- Distribution and Drop Wire remain
- Major reduction of Trouble Reports / Maintenance Actions
- Positioned for xDSL deployment with addition of incremental electronics

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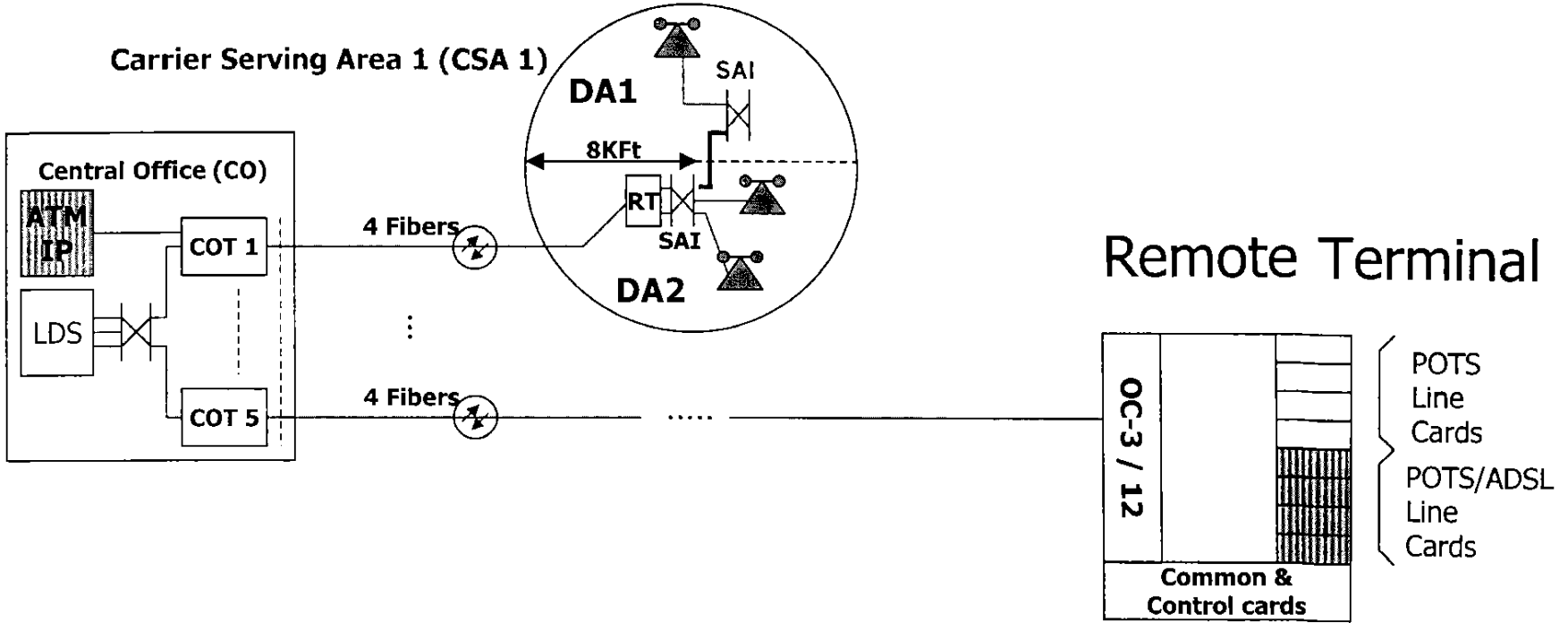
Key:
- CSA: Carrier Serving Area
- LDS: Local Digital Switch
- COT: Central Office Terminal
- RT: Remote Terminal
- DA: Distribution Area
- SAI: Serving Area Interface

Illustration: Deploying xDSL with NG-DLC



Incremental Requirements for xDSL Service:
- ATM/IP Switch (OCD) in Central Office
- Integrated DSLAM/xDSL Line Card @ Remote Terminal

Fiber — Copper

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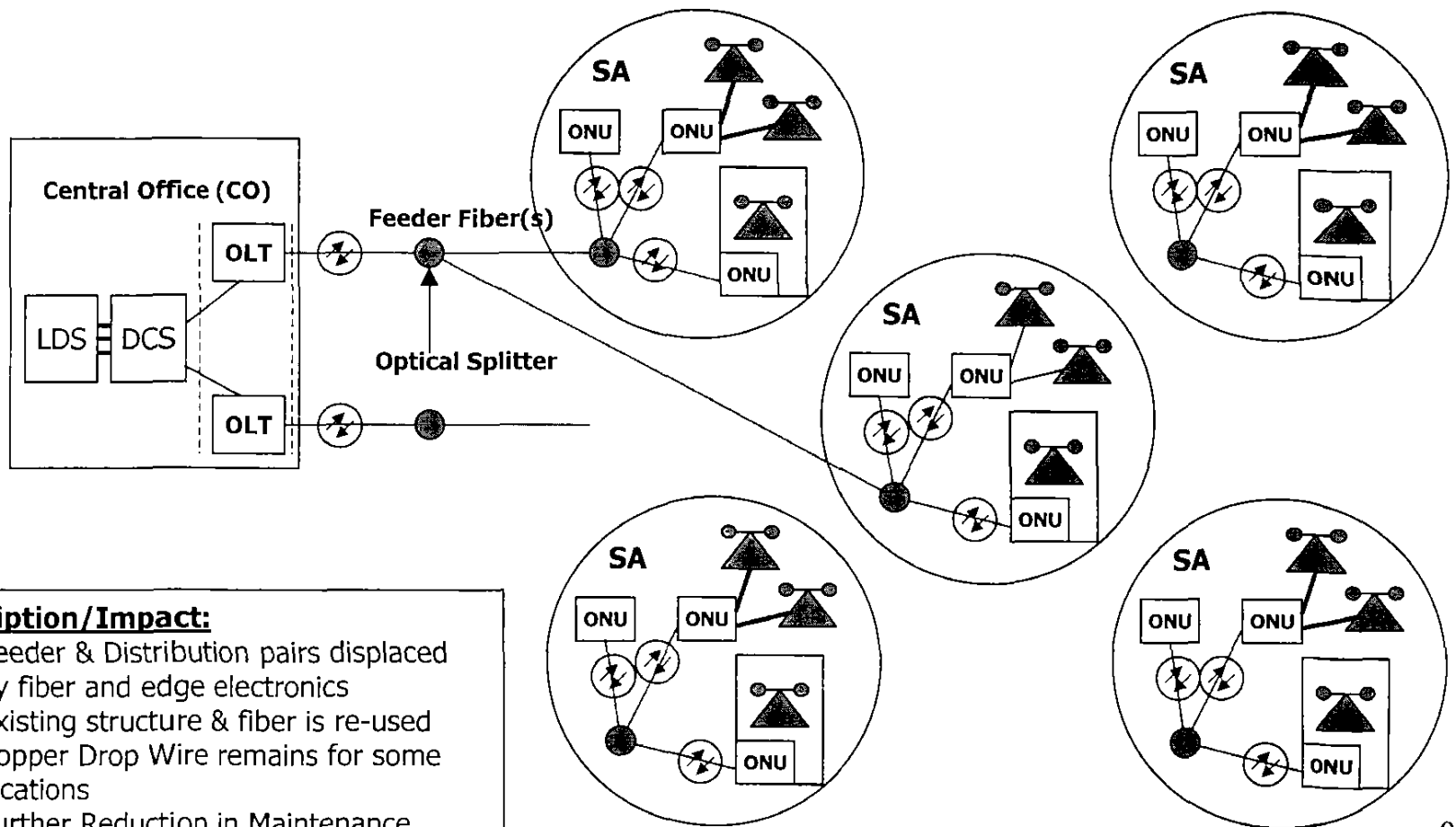
Key:
- FTTC: Fiber-To-The-Curb
- BPON: Business Passive Optical Network
- OLT: Optical Line Terminal
- DCS: Digital Cross-Connect System
- SA: Optical Serving Area
- LDS: Local Digital Switch
- ONU: Optical Network Unit

Illustration: FTTC/BPON



Description/Impact:
- Feeder & Distribution pairs displaced by fiber and edge electronics
- Existing structure & fiber is re-used
- Copper Drop Wire remains for some locations
- Further Reduction in Maintenance Actions and Powering Expense

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Fiber in the Loop Policy Implications

- Preservation of DS0, DS1 and DS3 TDM local loops allows for CLEC's to compete today, but suspends the equivalent of Moore's Law for CLEC access to new local loop technology.

- Death of CLEC's ability to compete analogous to arsenic as new technology is deployed by ILEC's

    - IP Convergence "Packet Voice"
    - Higher speed copper transmission technology evolution (VDSL / Ethernet in the first mile)
    - Fiber displacing more copper in the last mile

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Principles For Moving Forward

Recognize that contrary to popular belief ILECs have existing incentives to deploy broadband

- Broadband technologies *are* being deployed to reduce ILEC Op Ex
- Pressure from Cable will further encourage deployment of Advanced services for residential services
- RBOC proposed Incentives are unnecessary and will come at the expense of SME Customer Choice

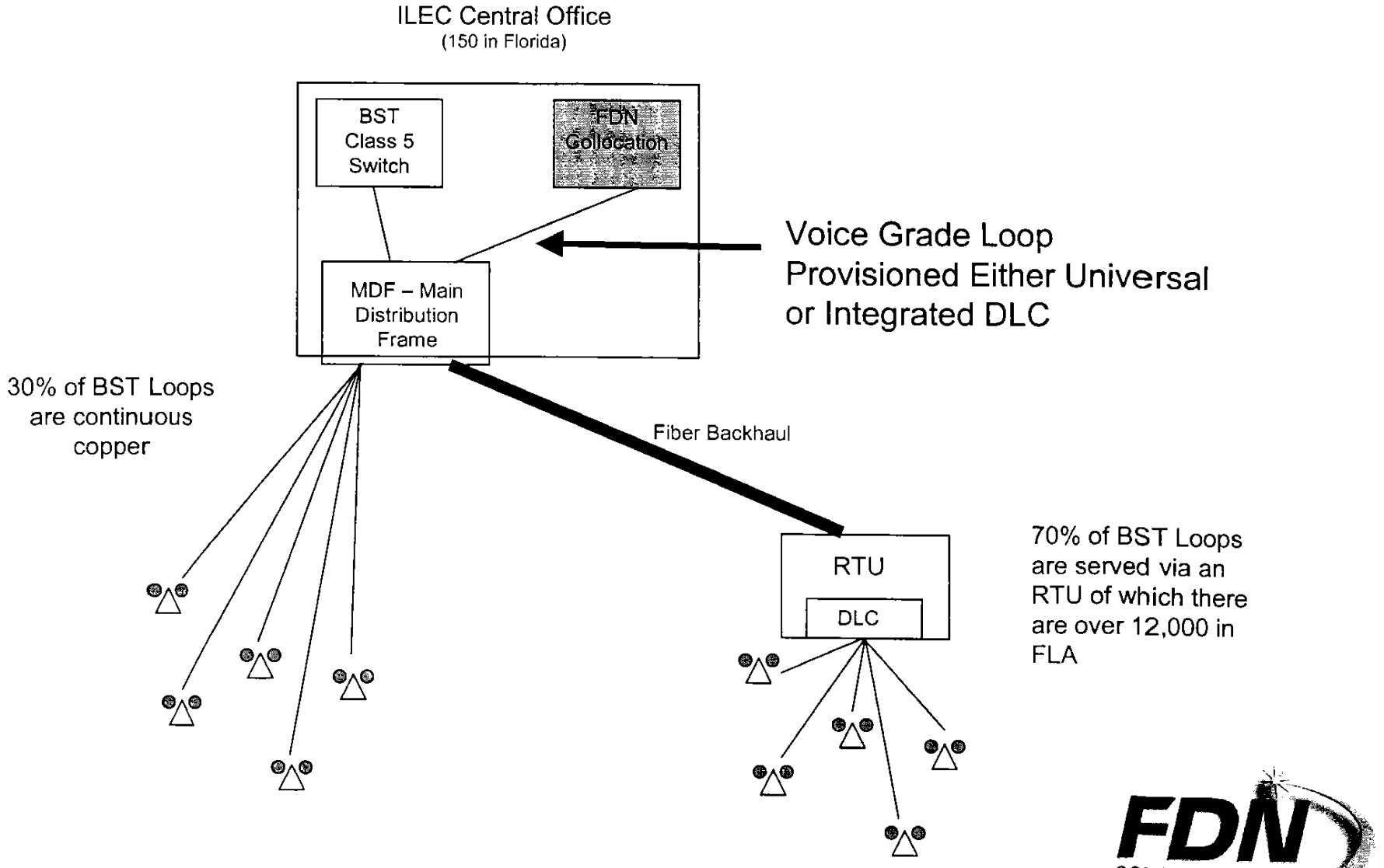
Recognize ILEC Controlled local loop as CLECs' only access to SME customers

- As there is no practical alternative for foreseeable future, need to preserve existing "facilities" orientation
- Need to avoid curtailing CLEC capabilities by segregating CLEC customers to obsolete plant, or re-defining ILEC obligation as a limited set of "services" or level of "bandwidth"
- Facilities based CLEC's have overbuilt every piece of the network that economically feasible

FCC Already has existing model for dealing with CLEC access over Broadband

- SBC Pronto waiver order deals with this exact issue in a manner that was acceptable to SBC and CLECS

Voice Loops Capably Served via Fiber Fed Loops



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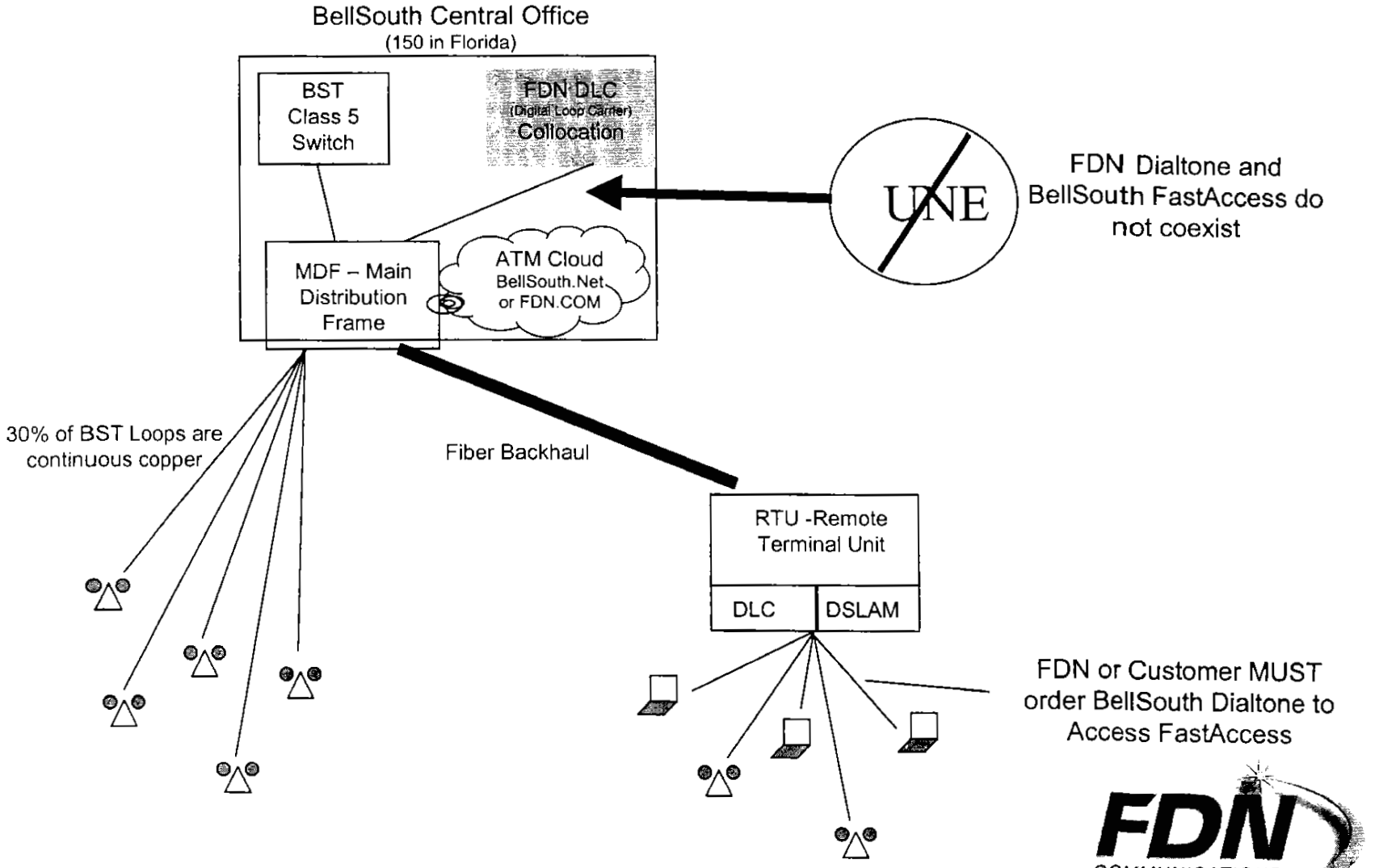
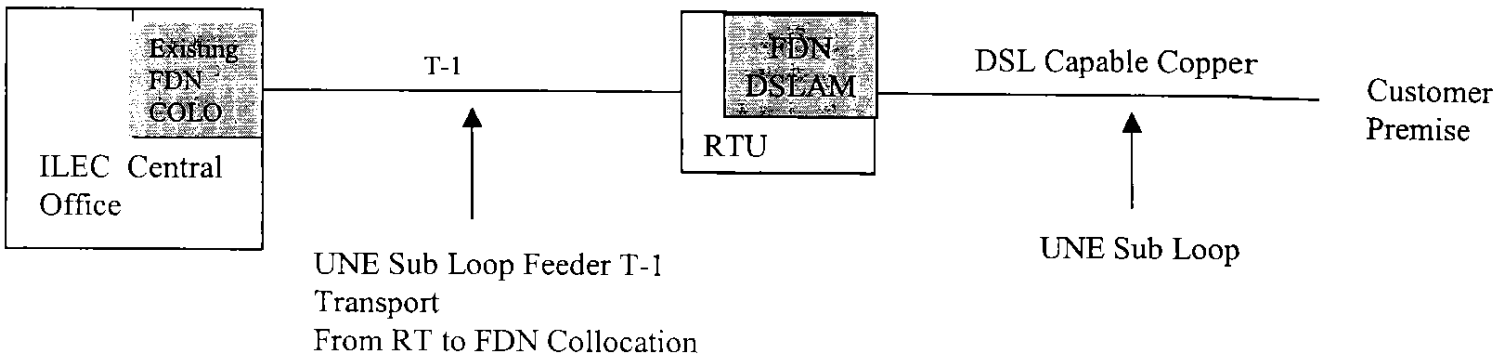
BST Remote DSLAM Creates Problems for Voice UNE



Co-Location of CLEC DSLAM at ILEC Remote is Definition of Impairment



- 16 Port DSLAM Rent, Power, Installation Costs = $19K per Remote
- Monthly Rent, Power and Other Expense Exceeds $500 per Remote
- Poor ILEC Record Sharing of Which Customers Served via Specific Remote Causes Confusion

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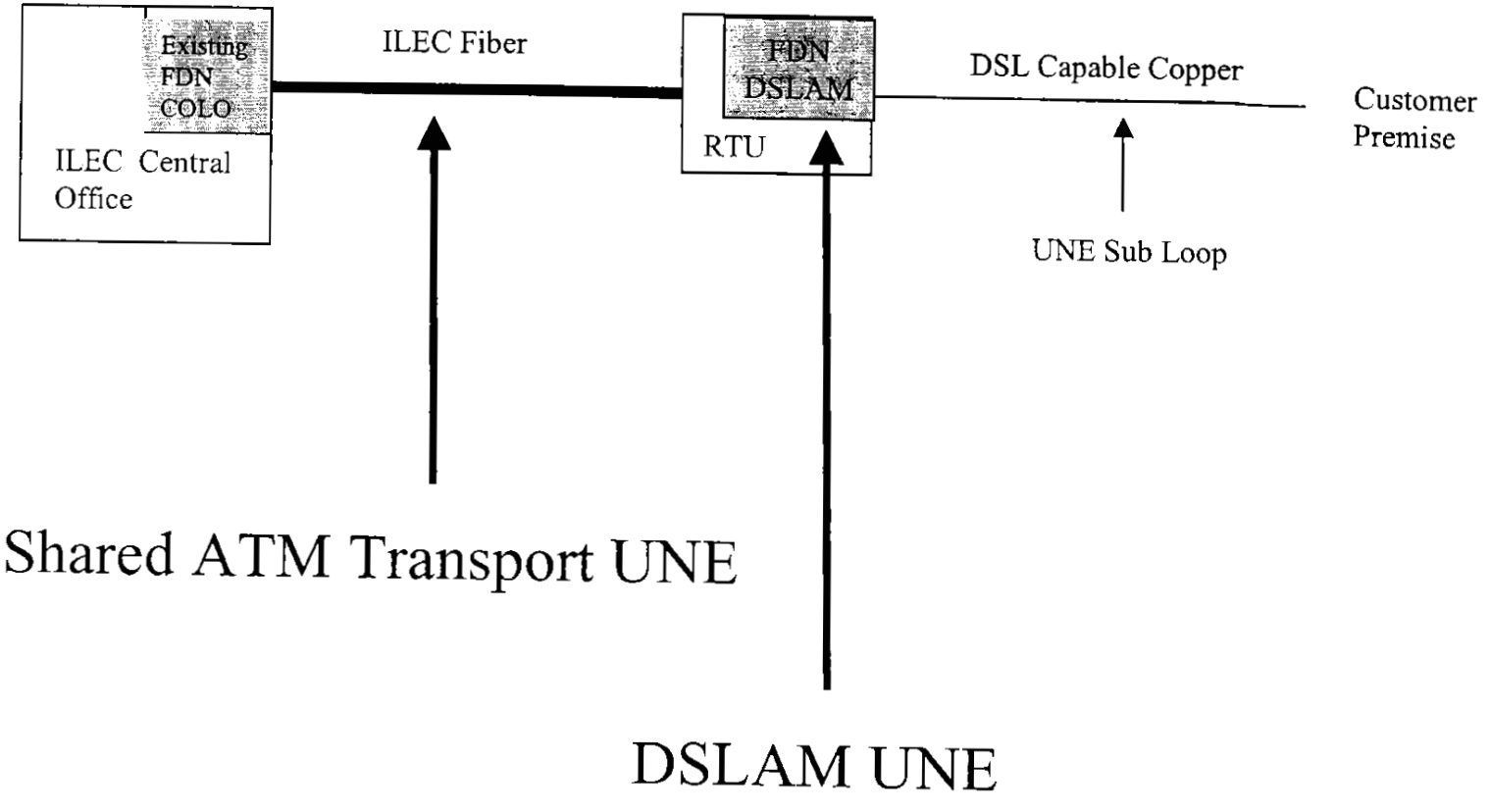
Solution is DSL UNE, Which is Being Traded Away for UNEP



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DOCKET NO. 01-338 Attachment A

DOCUMENT OFF-LINE

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o Microfilm, microform, certain photographs or videotape.

o Other materials which, for one reason or another, could not be scanned into the ECFS system.

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